

Merger Process Vindicated: Maples Group Successfully Defends US\$1.4bn Merger Appraisal Claim in 58.com

Cayman Islands Grand Court Confirms US\$56 Fair Value in 58.com Appraisal Claim

In a significant decision for Cayman Islands appraisal jurisprudence, the Cayman Islands Grand Court (the "Grand Court") has determined that the fair value of dissenting shareholders' shares in 58.com, Inc. (the "Company") was US\$56 per American Depositary share ("ADS") — the merger price — in proceedings brought following the Company's US\$8.7 billion management-led take-private transaction in September 2020 - the largest take-private transaction of a Chinese company at the time.

The judgment, delivered by the Hon. Justice Margaret Ramsay-Hale, Chief Justice of the Grand Court, comprehensively rejected the dissenters' contention that the merger price should be given no weight and that fair value should instead be assessed at approximately US\$105.78 per ADS (89% more than the merger price) based exclusively on a discounted cash flow ("DCF") analysis.

Background to 58.com Merger

At the time of the merger, 58.com operated the largest online classifieds platform in the People's Republic of China. The Company, founded by Mr Jinbo "Michael" Yao in 2005, was listed on the

New York Stock Exchange (NYSE) under the ticker 'WUBA'.

In April 2020, the Company announced receipt of a proposal from private equity fund Ocean Link to take it private at a price of US\$55 per ADS. A Special Committee of independent directors of 58.com, advised by Fenwick & West LLP and Houlihan Lokey, was established to evaluate this proposal and to negotiate on behalf of the Company's minority shareholders.

In June 2020, after rounds of negotiation, due diligence and a fairness opinion from Houlihan Lokey, the Special Committee signed a Merger Agreement with Quantum Bloom Group Ltd, a vehicle owned by a consortium led by Mr Yao and comprising Ocean Link I, Warburg Pincus and General Atlantic, at a price of US\$56 per ADS. The merger was approved at an EGM held on 7 September 2020.

At the trial, 58.com called both Special Committee members, a representative from Houlihan Lokey, Mr Yao, a principal from Ocean Link and the CFO of 58.com to speak to the merger process. The Grand Court also had the benefit of pre-trial depositions from Warburg Pincus, General Atlantic, and 58.com's financial advisor.

Experts' Opinions on Fair Value

58.com's expert concluded that the merger price was a "very important indicator of fair value", which he blended with an adjusted market trading price ("AMTP") to reach a fair value conclusion of US\$54.18 per ADS. He concluded and the Company argued that the merger price should be a ceiling on fair value.

The Dissenters' expert placed no weight on the merger price, arguing that the merger price was pre-determined by Mr Yao, that the subsequent deal process was performative, that the absence of a go-shop clause was a critical flaw and that structural conflicts rendered the merger process unreliable. He also placed no weight on the AMTP because he claimed that the market for 58.com stock was not efficient, and because of MNPI he had identified. He placed exclusive reliance on his DCF analysis based on internal projections prepared by General Atlantic for the merger, giving a fair value figure of US\$105.78 per ADS.

Grand Court Endorses Merger Price as Best Evidence of Fair Value

The Grand Court rejected the Dissenters' criticisms of the merger process. Applying the principles set out by the Privy Council in *Maso Capital Investments Ltd v Trina Solar Ltd [2025] UKPC 48*, the Judge held that reliability is a qualitative assessment, not a binary threshold, and that deficiencies in a deal process do not automatically disqualify the merger price from evidential consideration.

Having rejected the AMTP as insufficiently reliable because of concerns about MNPI about the roll-forward and the dissenters' DCF analysis as producing valuations far outside every contemporaneous pricing benchmark, the Grand

Court concluded that the merger consideration emerged as the most reliable indicator of value.

In reaching this determination, the Grand Court identified five key factors supporting the reliability of the merger price:

1. the transaction took place against the backdrop of a well-functioning public market for the company's shares;
2. the merger consideration was the product of a negotiated transaction involving commercially sophisticated participants with access to extensive information;
3. the buyer group undertook its own assessment of the company and negotiated the price with the Special Committee;
4. the Special Committee exercised independent judgment and did not simply accept the initial proposal; and
5. the absence of competing bids reflected the limited universe of realistic acquirers rather than any price-suppressing effect arising from Mr Yao's dual role.

Implications for Cayman Islands Appraisal Jurisprudence

This judgment represents a significant endorsement of the merger price as a reliable indicator of fair value in management-led transactions, provided the process demonstrates genuine negotiation between informed participants operating within identifiable economic constraints. It confirms that the Cayman Islands courts will not impose rigid checklists or procedural templates, but will instead evaluate merger process reliability as part of a holistic, fact-specific assessment.

Caroline Moran and Malachi Sweetman, instructing Mac Imrie KC and Richard Boulton KC of One Essex Court, represented the Company from the time of the merger and throughout the six-week trial heard between June and September 2024, and in post-hearing

submissions addressing the Privy Council's landmark decision in *Trina Solar*.

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